

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
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Report on Rural Broadband Strategy)
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GN Docket No. 09-29

COMMENTS OF STAYTON COOPERATIVE TELEPHONE COMPANY

I. INTRODUCTION

Stayton Cooperative Telephone Company (SCTC) submits these brief comments in response to the Federal Communication Commission's (Commission) March 10, 2009 Public Notice seeking comments and recommendations on how the Commission and Secretary of the United States Department of Agriculture (Secretary or USDA) should develop and implement a comprehensive rural broadband strategy.¹

Founded in 1955 as a member-owned cooperative, SCTC offers enhanced telecommunications, long distance, and broadband services in the Santiam Canyon area of Oregon. SCTC operates as an eligible telecommunications carrier (ETC) and incumbent local exchange carrier in the Stayton exchange, which includes the communities of Stayton and Sublimity, Oregon. SCTC's subsidiary, Peoples Telephone Company, operates as an ETC and incumbent local exchange carrier in nearby Lyons, Oregon. In addition, SCTC has developed

¹ See, Section 6112 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), Pub. L. 110-246, 122 Stat. 1651 (2008) (2008 Farm Bill), which directs the Commission, in consultation with the USDA Secretary, to develop a comprehensive rural broadband strategy and submit it as a report to Congress. The Commission's Public Notice further observes that the resulting rural broadband strategy will dovetail with the Congress's more recent requirement under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, 123 Stat. 115 (2009) (Recovery Act), that the Commission develop a comprehensive national broadband plan.

competitive local exchange carrier operations through a subsidiary, and offers CLEC services in rural Aumsville, Oregon, as well as ISP services in a broader region, including Salem.

With a 2000 census population of 6,816, Stayton is the largest community served by SCTC, and all of SCTC's service areas are within an hour's drive of the state capital, Salem.

SCTC is a former Rural Utility Service (RUS) borrower and, as an ETC, a recipient of various Universal Service Fund (USF) support mechanisms, and has responsibly used this funding support to enhance its broadband capability and services. Throughout its local exchange areas, SCTC offers nearly ubiquitous DSL service, ranging in speeds from 1.5 Mbps download/512 Kbps upload, to 6 Mbps download/1 Mbps upload. SCTC, as a matter of course, consistently seeks to maximize the broadband potential of its existing plant. That said, SCTC remains ever mindful that its last-mile copper network poses limitations that will only become more significant with time.

Indeed, reliance on DSL in rural areas will always pose limitations because of the inherent nature of the technology: that is, the shorter the length of the copper wire from the central office to the customer, the faster the broadband speed available to the customer, while, conversely, the longer the distance between the central office and the customer, the slower the network's maximum attainable speeds. Put another way, a DSL network in a rural serving area with long loop-lengths will never achieve the maximum speeds available to an urban DSL network—at least on an economically feasible basis. For the long-term, then, to avoid the issues inherent in distance-sensitive DSL technology, SCTC believes that rural areas will be best served by fiber-based broadband solutions.

II. SCTC'S RECOMMENDATIONS FOR DEVELOPING A COMPREHENSIVE RURAL BROADBAND STRATEGY AIMED AT COORDINATING FEDERAL EFFORTS AND REMOVING IMPEDIMENTS TO RURAL BROADBAND DEPLOYMENT

Where crafting a comprehensive rural broadband strategy is concerned, SCTC urges the Commission to strike a meaningful balance between the urgent, short-term needs of those without any access to broadband, and the strategic, long-term need to future-proof existing rural networks. That is, the Commission's rural broadband strategy should favor network upgrades that are more likely to keep pace with the ever increasing demands for bandwidth brought about by constantly evolving IP applications, as opposed to fostering an interim band-aid approach that will do little to forestall the need for a subsequent round of future network upgrades.

A more effective rural broadband strategy is one that would help companies like SCTC to upgrade their networks for the long term, particularly when they have already proved to be good stewards of previous funding support and remain committed to their communities. As a prudent manager of a member-owned network, SCTC is not one to embark on a "build-it-and-they-will-come" strategy, and it also knows that the right thing to do is ensure that all co-op members, regardless of their proximity to the central office, have access to the bandwidth speeds that will be required five, 10 and 20 years from now. Building that future-proof FTTP network requires: (1) initial financing support – loans and grants – to assist with the capital expenditure outlay; and (2) a stable, economically-rational revenue forecast that will not be upended by drastic changes to the USF and access charge mechanisms.

A. The Commission and USDA should Promote and Employ Uniform Application Procedures Across All Grant and Loan Programs Supporting Broadband Deployment.

For a company like SCTC to most efficiently and effectively access existing RUS and Recovery Act funding sources, the responsible agencies should make a concerted effort to employ uniform application procedures as much as possible. As just one example, RUS' traditional telephone loan program requires one specific kind of market survey, the RUS

broadband loan program requires a slightly different specific kind of market survey, and it's yet to be determined what kind of market analysis will be required by the Recovery Act-related broadband programs. In this example, an applicant should be able to produce one market study that can be used for any broadband loan or grant program. Realizing that rulemaking procedures may make an immediate goal of uniformity unattainable, SCTC nevertheless urges the agencies to make a concerted effort in that direction as they formulate their comprehensive broadband strategies.

B. The Commission and USDA Should Emphasize the Qualitative Review of Grant and Loan Applications, as well as Consider Whether the Application Poses a Potential Impact on Existing Recipients of Federal Funding.

Where the evaluation of loan and grant applications are concerned, SCTC further urges an interagency emphasis on the qualitative review of how and to what extent a particular application satisfies the program's definitional criteria. For example, under the existing RUS broadband loan program, any rural area with less than four competitors could be deemed under-served and potentially eligible for funding. That may be a reasonable conclusion if the three existing competitors in a particular rural market offer only the minimum threshold broadband service; however, if there are two existing competitors offering fiber-based broadband services at potentially limitless speeds, it seems disingenuous to claim, qualitatively-speaking, such market is truly under-served.

Similarly, and in recognition that federal funds are a limited resource, the responsible agencies should implement a robust review system to ensure that additional federal funding is not directed to an area where a provider is already deploying facilities with federal funding support. To be sure, a recipient of federal funding should not be permitted to "cherry-pick" only

the most attractive areas for deployment—as such a tactic would only prolong the nation’s goal of achieving ubiquitous broadband availability.

C. The Commission Should Mitigate the Existing Uncertainties Surrounding the USF and Access Charge Mechanisms By Incorporating Broadband Impact Reviews Into Any Proposed Changes to Such Programs.

While loans and grants will help immeasurably to stimulate the immediate construction of improved networks, the responsible agencies must not lose sight of the critical role that a stable revenue stream plays in supporting long-term infrastructure investment. To draw comparison to the larger economic conundrum facing our nation, a person would naturally be hesitant to invest in a \$300,000 house if a job loss was believed to be imminent, and, to be sure, a commercial lender would be equally hesitant to lend in such a situation. Similarly, the present uncertainty relating to potential changes to the Universal Service Fund or access charge mechanism may stifle long-term investment across the rural sector. Having invested in rural communities consistently and responsibly for over 50 years, SCTC is now challenged to make long-term investment decisions to benefit those communities based on a potentially uncertain revenue forecast. As an integral part of the Commission’s obligation to oversee a comprehensive rural broadband strategy, SCTC urges the Commission to ensure that any reforms to the Universal Service Fund or access charge mechanisms be evaluated on the basis of their impact to rural broadband strategy.

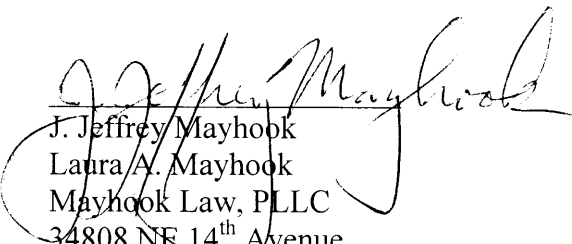
III. CONCLUSION

The Commission has been tasked with a challenging, yet essential, task in developing a coordinated, interagency approach to a comprehensive rural broadband strategy. For years, companies like SCTC have quietly built and maintained quality telecommunications networks in the rural areas of our country that are often overlooked by large, national carriers for obvious

economic reasons. SCTC is ready to put shovels to the ground, take its network to the next level, and shoulder its responsibility to continue looking out for the long-term needs of its members. The responsible agencies can ensure that companies like SCTC continue to be valuable contributors to the comprehensive rural broadband strategy by (i) adopting coordinated, streamlined and qualitatively-meaningful procedures for accessing funds for capital expenditures, and (ii) making sure that the Commission's efforts to stabilize the Universal Service Fund do not result in drastic impacts to rural carriers that jeopardize their ability to make good on broadband deployment plans.

As a vested stakeholder in the matters of rural broadband deployment, SCTC thanks the Commission for the opportunity to provide these comments, and looks forward to following the progress of the final report to Congress.

Respectfully Submitted,



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On Behalf of Stayton Cooperative
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